

Message Text

LIMITED OFFICIAL USE

PAGE 01 BONN 01647 01 OF 02 271803Z

ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-01 PA-01 PRS-01 /094 W

-----271831Z 071011 /43

R 271751Z JAN 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5128

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION USBERLIN

USMISSION NATO BRUSSELS

USNMR SHAPE

AMCONSUL FRANKFURT

AMCONSUL MUNICH

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL HAMBURG

AMCONSUL STUTTGART

CINC USAFE RAMSTEIN

CINC USAREUR HEIDELBERG

CINC EUR VAIHINGEN

LIMITED OFFICIAL USE SECTION 01 OF 02 BONN 01647

DEPARTMENT PASS TREASURY, FRB AND CEA

E.O. 11652: N/A

TAGS: ECON, EFIN, GW

SUBJECT: DRAFT 1977 BUDGET

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BONN 01647 01 OF 02 271803Z

1. AFTER MUCH DELAY, CAUSED AT LEAST IN PART BY THE
PARLIAMENTARY ELECTIONS, THE DETAILS OF THE GOVERNMENT'S
DRAFT 1977 BUDGET HAVE JUST BEEN MADE PUBLIC. THE
OVERALL DM 171.8 BILLION MAGNITUDE REMAINS AS EARLIER
REPORTED, BUT THE BREAKDOWN BY MINISTRY, WHICH IS
APPENDED AT THE END OF THIS CABLE, IS NEW. APPROVED

AT THE JANUARY 26 CABINET MEETING, THE DRAFT WILL NOW BE SENT TO THE BUNDESTAG FOR A FIRST READING AND DEBATE. FINAL BUNDESTAG APPROVAL IS TARGETED FOR MAY. (THE 1976 BUDGET WAS APPROVED IN JUNE 1976.) IT IS NOT LIKELY THAT SUCH SUBSEQUENT ALTERATIONS AS MAY BE MADE WILL BE OF MUCH CONSEQUENCE, OTHER THAN THE POSSIBLE ADDITION OF PART OF THE PROPOSED PUBLIC INVESTMENT PROGRAM WHICH, HOWEVER, ALSO MIGHT BE HANDLED BY A SUPPLEMENTAL BUDGET.

2. THE OVERALL NOMINAL GROWTH RATE IN THE DRAFT 1977 BUDGET OVER THE AUTHORIZED 1976 LEVEL IS 4.7 PERCENT (SEE TABLE, PARA 6). IF THE ACTUAL (NOT AUTHORIZED) 1976 EXPENDITURES ARE COMPARED WITH THE PROPOSED 1977 LEVEL, THE GROWTH RATE IS 6.2 PERCENT. THIS IS DUE TO SAVINGS OF ABOUT DM 2 BILLION WHICH WERE ACHIEVED IN 1976, THEREBY LOWERING THE ACTUAL FIGURE FROM THE AMOUNT AUTHORIZED. HOWEVER, THE STIMULATION PROGRAM OUTLAYS MADE IN 1976 ARE OMITTED IN SUCH A CALCULATION. TAKING THESE INTO ACCOUNT -- DM 3 BILLION -- PUTS THE 1976 FEDERAL EXPENDITURE BASE UP DM 1 BILLION ABOVE THE DRAFT LEVEL, AND YIELDS AN ADJUSTED AGGREGATE GROWTH RATE OF ABOUT 4 PERCENT. THE INFLATIONARY BACKDROP FOR THIS DEVELOPMENT MAY BE APPRECIATED BY LOOKING AT THE COUNCIL OF ECONOMIC ADVISORS' PROJECTED 1977 DEFATORS OF 5.5 PERCENT FOR PUBLIC CONSUMPTION (WHICH EXCLUDE THE HEAVILY-WEIGHTED TRANSFER PAYMENTS) AND 4 PERCENT FOR GNP AS A WHOLE. THEREFORE, THERE IS VERY LITTLE IF ANY REAL GROWTH IN THE 1977 FRG BUDGET. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BONN 01647 01 OF 02 271803Z

3. THE MINISTRY OF DEFENSE APPROPRIATION IS UP BY ONLY A NOMINAL 1.4 PERCENT, MARKEDLY BELOW TOTAL BUDGETARY GROWTH (IT WOULD BE EVEN LOWER IF THE DM 350 MILLION STIMULATION PROGRAM OUTLAYS IN 1976 WERE INCLUDED). IN REAL TERMS, NO MATTER WHAT DEFLATOR CONCEPT IS USED, THERE IS A CLEAR DECLINE. USING THE PUBLIC CONSUMPTION DEFLATOR SIGNIFIES A 4 PERCENT REAL DECLINE FOR DEFENSE; APPLICATION OF THE OVERALL GNP DEFLATOR STILL RESULTS IN A 2.5 PERCENT REAL DROP. USE OF THE NATO DEFLATOR FOR FRG DEFENSE EXPENDITURES OF 4.6 PERCENT REFLECTS A NEGATIVE 3 PERCENT GROWTH RATE.

4. IN VIEW OF THE PROJECTED 1977 REVENUES OF DM 149 BILLION (BASED ON NOMINAL GNP GROWTH OF 9 PERCENT), THE NET CREDIT REQUIREMENT IS SET BY THE GOVERNMENT AT DM 22.8 BILLION. THIS IS ALMOST EXACTLY THE AMOUNT THE GOVERNMENT CLASSIFIES AS "INVESTMENT" OUTLAYS IN ITS BUDGET, AND THEREFORE CONFORMS WITH THE REQUIREMENTS

OF ARTICLE 115 OF THE CONSTITUTION REGARDING DEBT
LIMITATION. IN 1976 THE BUDGETARY DEFICIT WAS DM 26

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BONN 01647 02 OF 02 271810Z
ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04
SIL-01 L-03 H-01 PA-01 PRS-01 /094 W
-----271830Z 071118 /43

R 271751Z JAN 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 5129
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USMISSION USBERLIN
USMISSION NATO BRUSSELS
USNMR SHAPE
AMCONSUL FRANKFURT
AMCONSUL MUNICH
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL HAMBURG
AMCONSUL STUTTGART
CINC USAFE RAMSTEIN
CINC USAREUR HEIDELBERG
CINC EUR VAIHINGEN

LIMITED OFFICIAL USE SECTION 02 OF 02 BONN 01647

BILLION; IF THE STIMULATION PROGRAM OUTLAYS ARE TAKEN
INTO ACCOUNT, THE ADJUSTED 1976 DEFICIT WOULD BE DM 29
BILLION. HOWEVER, 1977 TAX REVENUES COULD BE SLIGHTLY
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BONN 01647 02 OF 02 271810Z

LOWER DUE TO A PERHAPS OVERLY OPTIMISTIC ASSUMPTION RE GNP GROWTH. ALSO, EXPENDITURES COULD BE marginally HIGHER THAN BUDGETED DUE TO HIGHER UNEMPLOYMENT THAN ANTICIPATED IN THE BUDGET FORECAST AND THE TALKED-ABOUT BUT STILL VAGUE MEDIUM-TERM INVESTMENT PROGRAM. CONSEQUENTLY, THE RESTRICTIONARY SWING IN THE DEFICIT IS LIKELY TO BE LESS THAN THE DM 3 BILLION SUGGESTED BY THE FOREGOING DATA.

5. NO SPECIAL STIMULATION OR "INFRASTRUCTURE INVESTMENT" PROGRAM OUTLAYS ARE INCLUDED IN THE 1977 DRAFT BUDGET. THIS PROGRAM IS STILL IN FORMATION AND WILL BE REPORTED ON SEPARATELY AS DETAILS BECOME AVAILABLE. HOWEVER, IT WILL BE MEDIUM-TERM ORIENTED WITH RELATIVELY LITTLE IMPACT EXPECTED IN 1977 IN TERMS OF EXPENDITURES.

6. THERE FOLLOWS A TABLE PRESENTING A BREAKDOWN OF APPROVED 1976 AND DRAFT 1977 FEDERAL EXPENDITURES:

| MINISTRY OR MAJOR BUDGET SUBTITLE | FEDERAL EXPENDITURES IN MILLION DM | | PERCENT CHANGE |
|--------------------------------------|---------------------------------------|----------|-------------------|
| | 1976 | 1977 | 1977/76 |
| PRESIDENT'S OFFICE | 12.3 | 12.5 | 1.6 |
| BUNDESTAG | 240.7 | 270.4 | 12.3 |
| BUNDESRAT | 8.3 | 8.3 | 0 |
| CHANCELLOR'S OFFICE | 319.7 | 316.2 | -1.1 |
| FOREIGN OFFICE | 1,286.3 | 1,348.1 | 4.8 |
| INTERIOR | 2,300.0 | 2,395.1 | 4.1 |
| JUSTICE | 274.1 | 273.7 | -0.1 |
| FINANCE | 2,494.7 | 2,435.7 | -2.4 |
| ECONOMICS | 2,679.8 | 2,764.5 | 3.2 |
| FOOD AND AGRICULTURE | 5,482.4 | 5,528.8 | 0.8 |
| LABOR | 39,325.9 | 38,223.4 | -2.8 |
| TRANSPORT | 19,699.1 | 20,425.9 | 3.7 |

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BONN 01647 02 OF 02 271810Z

| | | | |
|----------------------------|----------|----------|-------|
| POST | 298.4 | 5.1 | -98.3 |
| DEFENSE | 31,890.5 | 32,350.0 | 1.4 |
| FAMILY AND HEALTH | 13,503.2 | 14,893.5 | 10.3 |
| CONSTITUTIONAL COURT | 8.3 | 8.4 | 1.2 |
| GERNERAL ACCOUNTING OFFICE | 30.6 | 29.4 | -3.9 |
| AID | 3,004.4 | 3,171.9 | 5.6 |
| CITY PLANNING | 3,688.0 | 3,958.6 | 7.3 |

| | | | |
|-------------------------|-----------|-----------|-------|
| ALL GERMAN AFFAIRS | 384.4 | 398.6 | 3.7 |
| RESEARCH AND TECHNOLOGY | 3,962.3 | 4,055.1 | 2.3 |
| EDUCATION AND SCIENCE | 3,909.1 | 3,744.9 | -4.2 |
| FEDERAL DEBT SERVICE | 8,404.0 | 10,073.9 | 19.9 |
| PENSIONS | 7,611.9 | 7,626.3 | 0.2 |
| STATIONING COSTS | 938.8 | 955.3 | 1.8 |
| CIVIL DEFENSE | 546.9 | 541.2 | -1.0 |
| GEN. ADMINISTRATION | 11,742.3 | 15,982.2 | 36.1 |
| | ----- | ----- | ----- |
| TOTAL | 164,046.6 | 171,797.0 | 4.7 |
| STOESSEL | | | |

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PUBLIC DISCLOSURE, GOVERNMENT BUDGET
Control Number: n/a
Copy: SINGLE
Sent Date: 27-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BONN01647
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770030-0176
Format: TEL
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770114/aaaaalwg.tel
Line Count: 235
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 38cf38d0-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3489480
Secure: OPEN
Status: NATIVE
Subject: DRAFT 1977 BUDGET LIMITED OFFICIAL USE LIMITED OFFICIAL USE
TAGS: ECON, EFIN, GE
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/38cf38d0-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009